

College of Agriculture and Home Economics
THE OHIO STATE UNIVERSITY

UNDERSTANDING YOUR COOPERATIVE
FARM CREDIT SYSTEM

RECEIVED

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AGRICULTURAL ECONOMICS
& RURAL SOCIOLOGY

By

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UNDERSTANDING YOUR COOPERATIVE

FARM CREDIT SYSTEM

IMPORTANCE?

HISTORY?

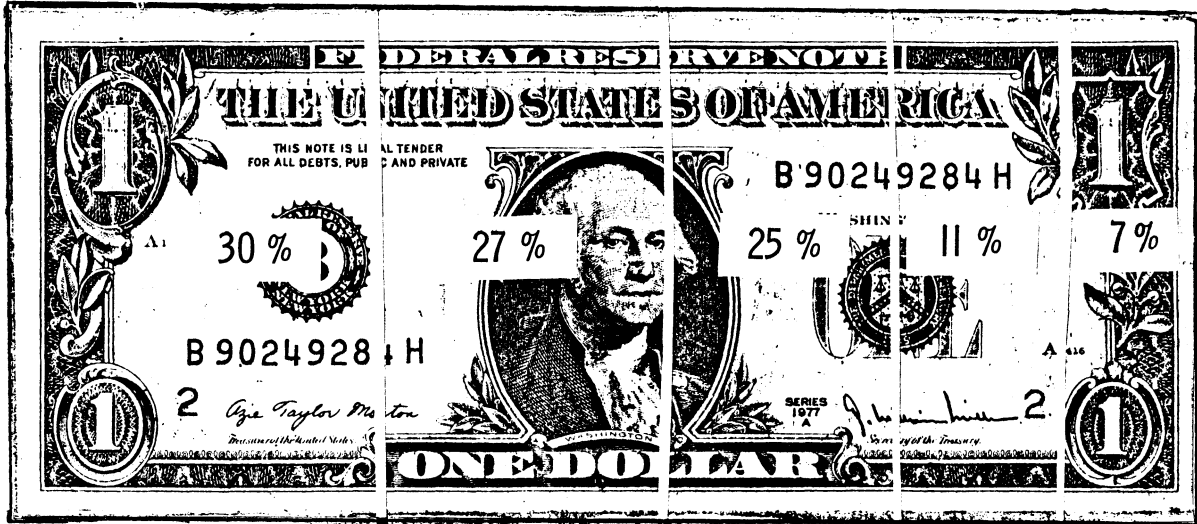
FUNDING ?

SECURITY?

STRUCTURE?



U. S. FARM CREDIT - JAN. 1, 1980



FARM		FARMS	INSUR-
CREDIT	COMMERCIAL	HOME	ANCE
SYSTEM	BANKS	INDIVIDUALS	ADM. CO.

FARM CREDIT SYSTEM IS LEADING

SUPPLIER OF AGRICULTURAL CREDIT

WHO HOLDS THE FARM DEBT ?

YEAR	FARM CREDIT SYSTEM	COMMERCIAL BANKS	INDIVIDUALS AND OTHERS	FARMERS HOME	INSURANCE COMPANIES
(% OF TOTAL)					
1950	12	28	44	5	7
1960	16	27	41	5	11
1970	20	30	31	6	12
1975	29	32	27	5	7
1979	30	30	26	8	7
1980	30	27	25	11	7

FARM CREDIT SHARE HAS BEEN INCREASING

BANK SHARE UNCHANGED

INDIVIDUAL SHARE HAS BEEN DECREASING

COMPARISON OF INTEREST RATES
REAL ESTATE LOANS

TIME PERIOD	AGRICULTURAL BANKS	FEDERAL LAND BANK	SPREAD
1977 I	9.44	8.50	.94
II	9.43	8.50	.93
III	9.41	8.25	1.16
IV	9.39	8.25	1.14
1978 I	9.57	8.25	1.32
II	9.56	8.25	1.31
III	9.72	8.50	1.22
IV	9.87	8.50	1.37
1979 I	10.38	8.50	1.88
II	10.37	9.00	1.37
III	10.54	9.00	1.54
IV	11.20	9.50	1.70
1980 I	12.47	10.00	2.47
II	15.48	10.50	4.98

DURING STABLE PERIOD -- FLBA - 1%

DURING UNSTABLE PERIOD -- FLBA LAGS
(+/-)

COMPARISON OF INTEREST RATES NON-REAL ESTATE LOANS

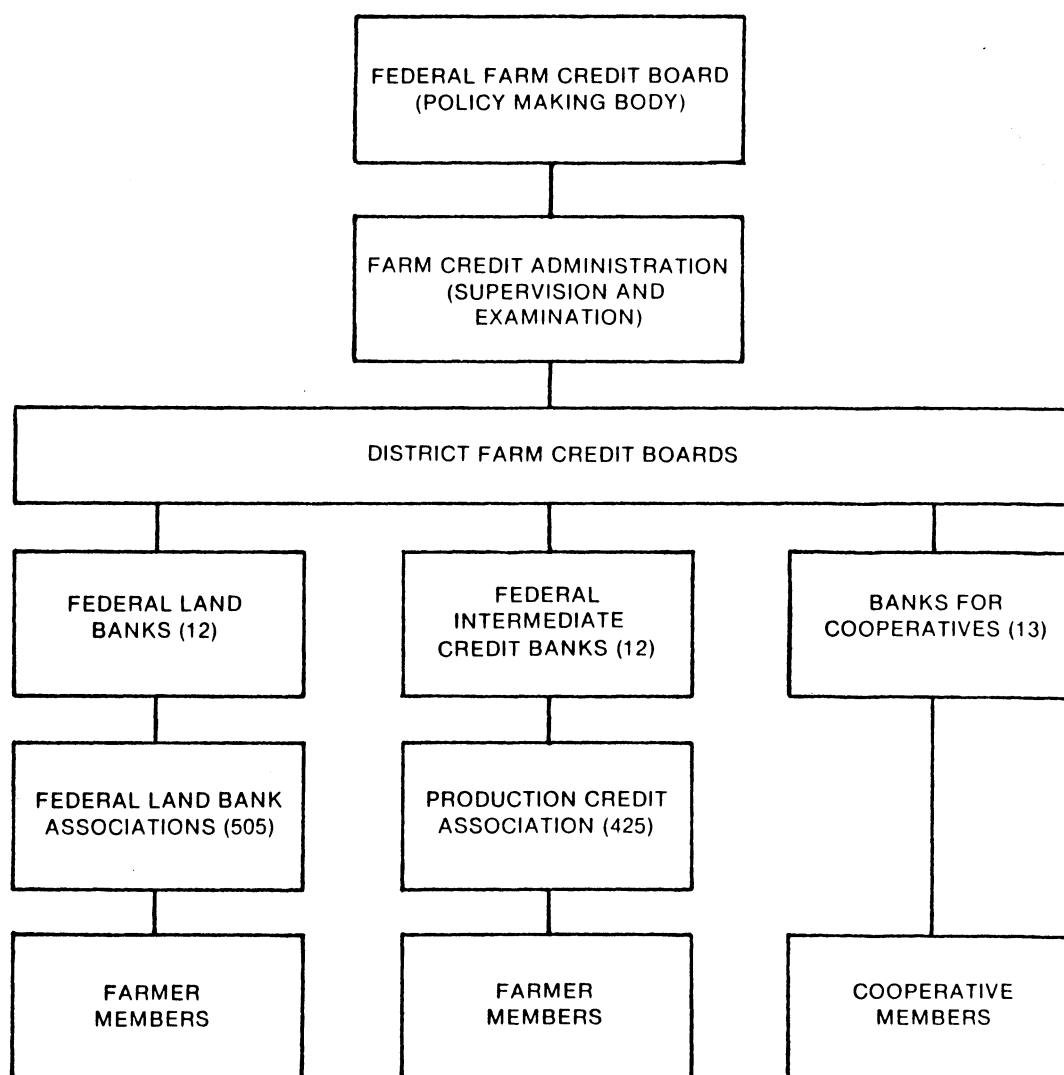
TIME PERIOD	AGRICULTURAL BANKS	PRODUCTION CREDIT ASSOCIATIONS	SPREAD
1950-1959	6.5	6.4	.1
1960-1969	7.0	6.9	.1
1970-1976	8.4	8.3	.1
1977 I	8.8	8.2	.6
II	8.7	8.1	.6
III	8.7	7.9	.8
IV	9.1	8.0	.8
1978 I	9.2	8.4	.8
II	9.3	8.7	.6
III	9.6	9.0	.6
IV	10.4	9.2	1.2
1979 I	11.0	10.0	1.0
II	11.2	10.6	.6
III	11.3	10.9	.4
IV	13.6	11.0	2.6
1980 I	14.1	12.1	2.0
II			

DURING STABLE PERIOD -- PCA =

DURING UNSTABLE PERIOD -- PCA LAGS

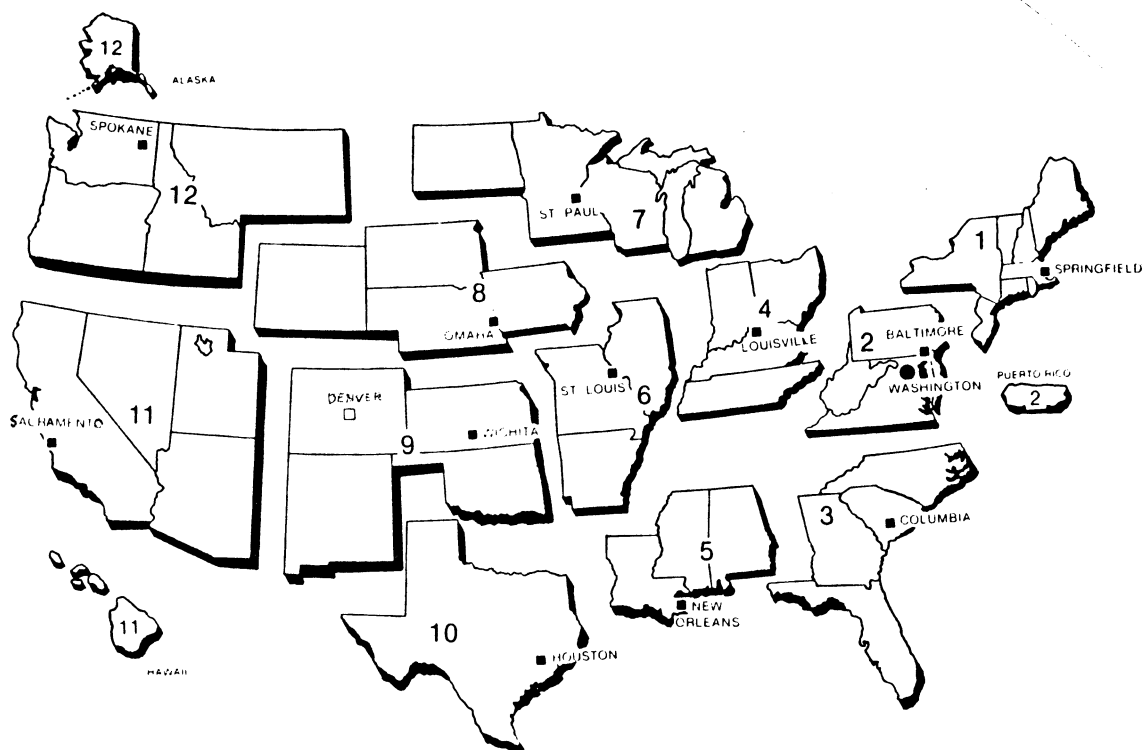
FARM CREDIT SYSTEM

AN OVERVIEW



Source: Farm Credit Administration

COOPERATIVE FARM CREDIT SYSTEM



- Farm Credit Administration
- Central Bank For Cooperatives
- Farm Credit Banks
 - Federal Land Banks
 - Federal Intermediate Credit Banks
 - Banks for Cooperatives

HISTORICAL PERSPECTIVE

PRE-W.W. I CREDIT

AVAILABILITY

POOR TERMS

MONEY IN EAST

INTEREST

FARMS IN MIDWEST

REPAYMENT

FORECLOSURE

1916 FEDERAL FARM LOAN ACT

CREATED -- 12 FLB's

-- FLBA'S

ALLEVIATE MORTGAGE PROBLEMS

CONTROL OWN SOURCE OF CREDIT

CAPITALIZED

\$750,000/FLB

1923 FARM CREDIT ACT

CREATED -- 12 FICB'S

DISCOUNT LOANS FOR PRIVATE LENDERS

NO LINK TO FARMER

CREATED -- 13 BC'S

1933 PCA'S ESTABLISHED

RETAIL OUTLET

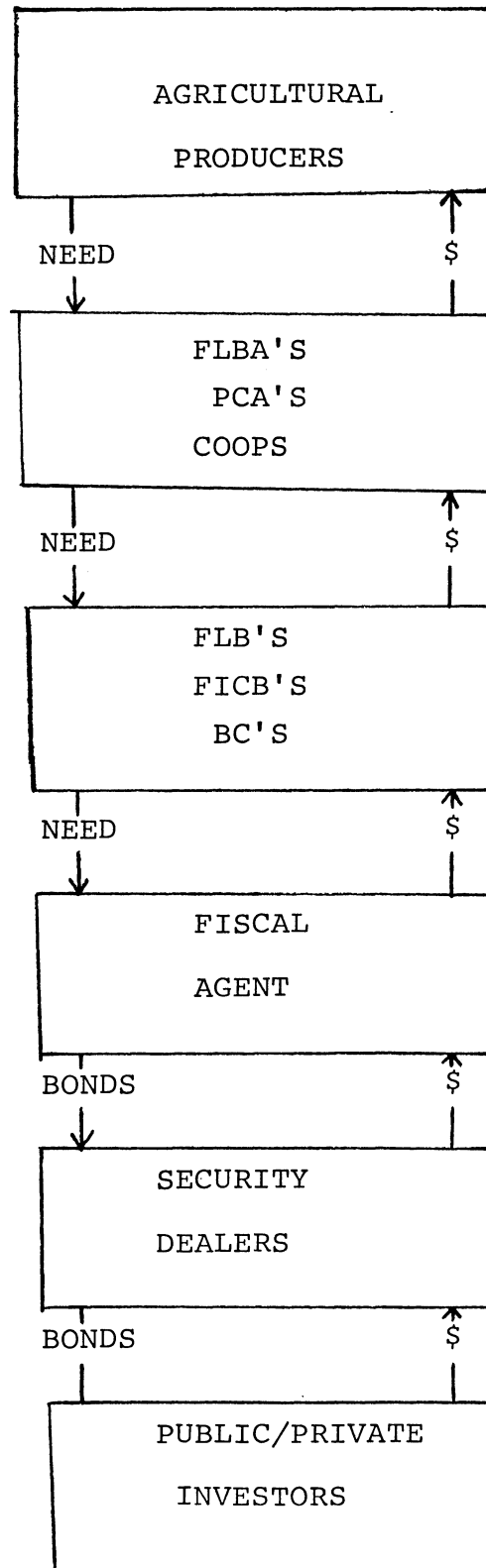
1947 GOVERNMENT DEBT PAID --- FLBA/PCA

1955 GOVERNMENT DEBT PAID --- BC

THANKS UNCLE SAM

FARM CREDIT SYSTEM

FUNDING



FARM CREDIT SECURITIES

AMOUNT -- \$50 BILLION / YEAR

-- EXCEEDED ONLY BY U.S. TREASURY

QUALITY -- TRIPLE AAA

-- EXCELLENT TRACK RECORD

-- NEVER FAILED (P + I)

YIELD

SALE DATE	FCS	YIELD ON 6 MONTH		SPREAD
		BOND	TREASURY BILL	
1/24/79	10.5		10.09	.41
5/23/79	10.25		10.23	.02
9/19/79	11.40		11.03	.37
1/30/80	13.15		12.78	.37
4/23/80	13.25		12.84	.41

TAX STATUS

EXEMPT FROM STATE, MUNICIPAL, AND LOCAL TAXES

INCOME

FRANCHISE